

Perspectives



DEALERS BOLSTER COMPENSATION TO CONFRONT SHRINKING WORK FORCE

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premium for
merchandisers

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and become
incentive

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Perspectives

DEALERS BOLSTER COMPENSATION TO CONFRONT SHRINKING NATIONAL WORK FORCE

By Phillip M. Perry
NHCN staff editor

NATIONAL REPORT — Come next summer, workers at Essen Hardware's nine stores will participate in a profit-sharing plan for the first time.

"It's a necessary thing," said Max Hagerman, vice president of the \$12 million chain based in the St. Louis suburb of Brentwood, Mo.

"Big companies have grown by getting people involved," he said. "The employees should have some degree of feeling that they are part of our organization and have a share in the good and the bad."

Attracting new employees in a tight labor market.

Retaining the good ones.

Those are two challenges that are causing retailers to put new spark in their salary, bonus and benefit packages.

A survey of building material retailers just completed for *National Home Center News* provided the following insights:

Among the findings of this year's survey:

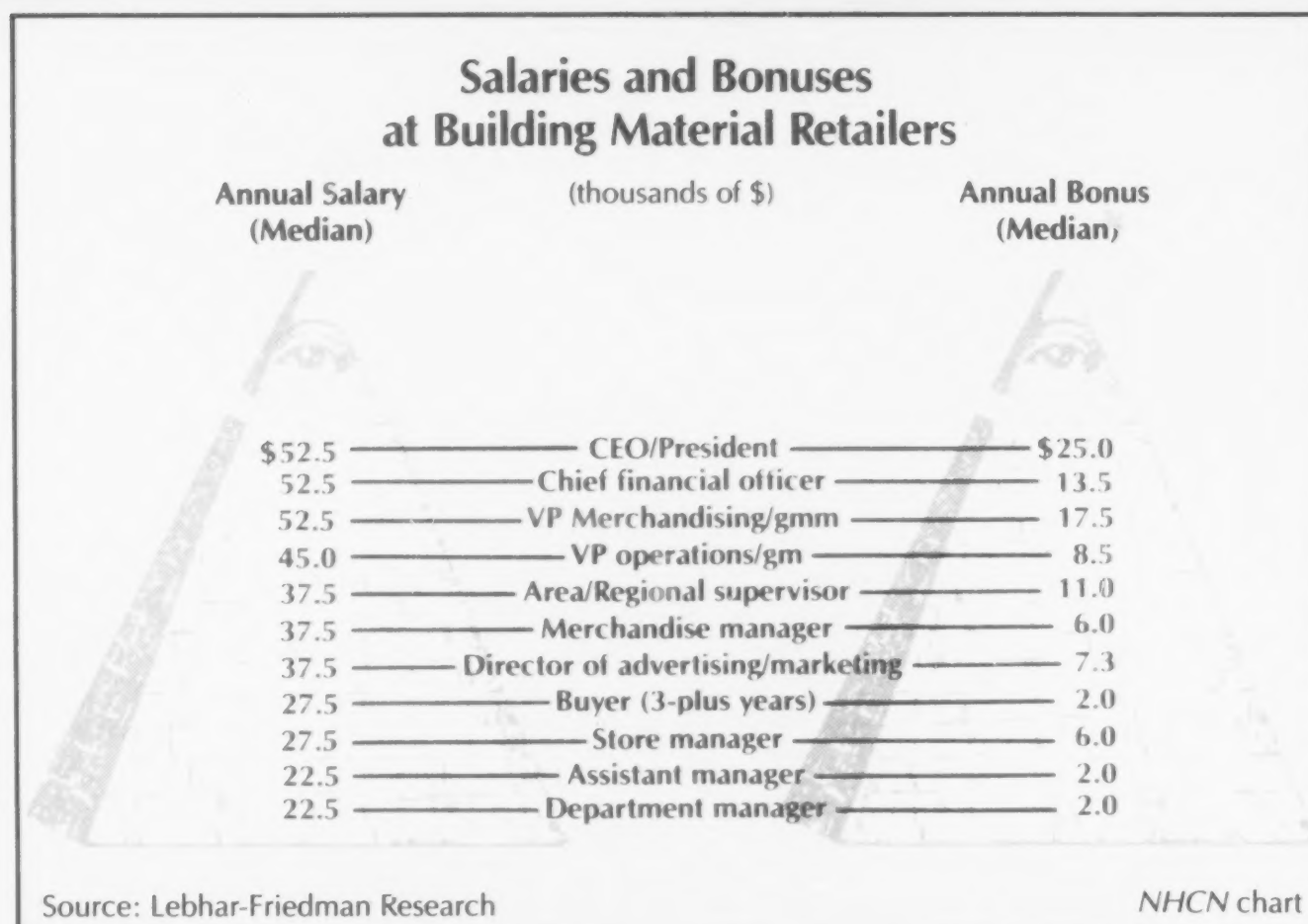
- Payroll accounts for some 14.9 percent of total revenues. This makes the expense the highest of any, except for cost of goods sold.
- Bonuses are becoming more important for upper and middle management personnel. More than two of three respondents said bonuses were more than ever an important management motivator.
- Medical reimbursements remain the most popular benefit, and management personnel receive broader medical coverage than do non-management employees. Over 80 percent of both groups receive major medical, hospital coverage and surgical coverage.
- The South is rewarding its top officers with higher bonuses than in the past. Benefits still trail behind those offered in the rest of the nation.

Responses to the survey were made on a confidential basis, and were primarily from mid-sized and small retailers. Subsequent to the completion of the survey, retailers were contacted by telephone and their comments included in this article shed additional light on the results of the survey.

Salaries on the way up

Of the respondents to the survey, 57 percent said they had increased their payroll in 1986. The average increase was 6 percent, an amount well ahead of the inflation rate. This suggests retailers are feeling some pressure to retain good employees.

"Salaries have been forced up in the past few years," said Norman Zarkin, managing partner at E. J. Rhodes Associates, New York, commenting on the results of the



Median annual salaries range from \$22,500 for department managers to \$52,500 for chief executive officers, according to a new survey completed by Lebhar-Friedman Research.

NHCN survey. He said that the driving force was the shortage of labor in many parts of the country.

"You won't find salaries going down in the future," he added. As for retailers who want to counteract the effects of higher payroll on their earnings, "the answer is better productivity and higher sales volume."

Wages fill employees' pockets. Bonuses make them work harder.

So goes the theory that has gained credence in the economy, and the home center industry is no exception.

Of respondents to the survey, 68 percent said that bonuses had become a more important motivating factor for their upper management. In a reflection of this change in mentality, over the past two years bonuses increased by an average of 50.6 percent for CEOs.

"Retailers are in general tying incentive compensation to productivity," said Jack Fraser, vp of personnel and operations at the National Retail Merchants Association, New York.

"This is a growing trend, and it's going down to lower levels of management."

Zarkin of E.J. Rhodes added that several years ago bonuses might have represented 15 percent to 20 percent of base pay, but now they can often represent a doubling of salary.

"Companies are also worried about increasing payroll expense," noted Jill Kanin-Lovers, vp at TPF&C, a management consulting firm in New York. Using bonuses can help trim total payroll costs in times when earnings are not up to plan.

Only one out of three respondents said bonuses had become more important for store managers, a reflection of the fact that bonuses have long been considered vital for store manager performance. Over the past two years, bo-

nuses increased by 42.9 percent for store managers.

Store managers receive bonuses more often than any other category of employee, according to the survey. Some 60 percent of respondents awarded bonuses to store managers, while only 42 percent awarded bonuses to chief executive officers.

"The store manager's actions have the largest degree of benefit to the performance of the stores," said Don Cohen, president of Tool King, the chain of seven stores based in Denver.

"As the store manager goes, so goes the store. Plus, you want something that will make other people want to become store managers."

While long-term performance is becoming a more important factor in determining bonuses at larger firms outside the home center field, it seems as though the factor hasn't caught on with respondents to the survey. Of those respondents providing bonuses to top management, 63 percent did not provide incentives for long-term performance.

Wolohan Lumber, Saginaw, Mich., has provided a long-term parameter—strength of earnings increases—for its bonuses for several years.

"It gives you a long term look," said Robert F. Anderson, cfo for Wolohan, in a telephone interview with *NHCN* after the survey was completed. He added that new stores can impact short term earnings, but that a company needs to have new stores all the time to increase profits over the long term. So the longer-term earnings parameter is important.

Medical benefits find most favor

Medical coverage was the most commonly encountered benefit of all, and major medical, hospital and surgical

coverages were the most popular sub-categories. Over 80 percent of respondents said that they offered these three categories of benefits to both management and non-management personnel.

However, management-level personnel were more commonly offered other categories of benefits. Of the respondents, 68 percent offered accidental death and dismemberment to management personnel, but only 59 percent offered it to non-management. As for company-paid life insurance, 59 percent offered it to management personnel while 47 percent offered it to non-management.

These survey results didn't surprise Dwain A. Newman, president of National Home Center, a \$68 million chain based in Springdale, Ark. "Our ambition is to cover all departments and key members of management with benefits," he said. "If we don't have good department heads, whatever else we do won't make any difference."

In the financial areas, profit sharing plans were the most important benefit. Some 42 percent of respondents had a profit sharing plan, compared with only 22 percent with pension plans.

"Profit sharing plans are important to customers," said Anderson of Wolohan Lumber, which has such a plan. "They can make employees want to make the company profitable, so they give the customers service."

Hancock Lumber, Casco, Maine, also offers profit sharing.

"We expect our people to work with us to make a profitable operation," said Rich Merk, Hancock's senior vp administration, in explaining the philosophy of the plan.

In the area of pension plans, it seems defined contribution plans haven't yet caught on at a majority of the building material retailers participating in the survey, though they are gaining in popularity in the business world in general.

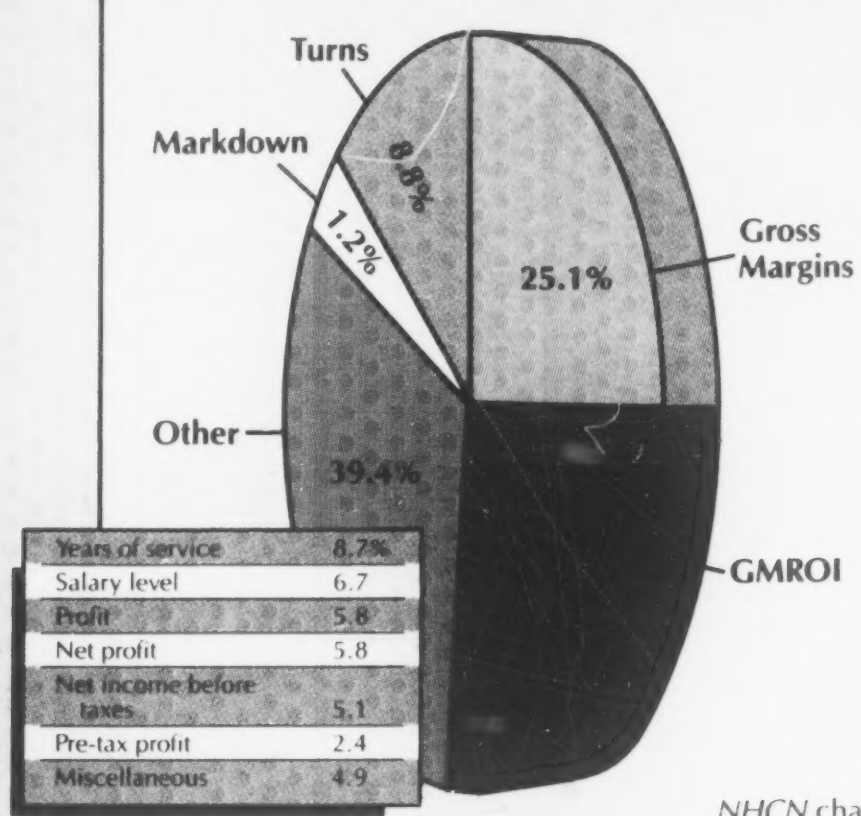
Of the retailers offering such plans, 65 percent defined them as "defined benefit" which 30 percent said they were "defined contribution" plans.

Defined benefit plans provide a guaranteed payment to retired employees. Defined contribution plans, on the other hand, do not provide such guarantees. Payments to retirees are determined by how well the company's investments with the pension plan funds have done through the years.

Defined benefit plans offer a more concrete payment schedule to employees, while defined contribution plans are favored by employers because they relieve much of the pressure for pension fund performance.

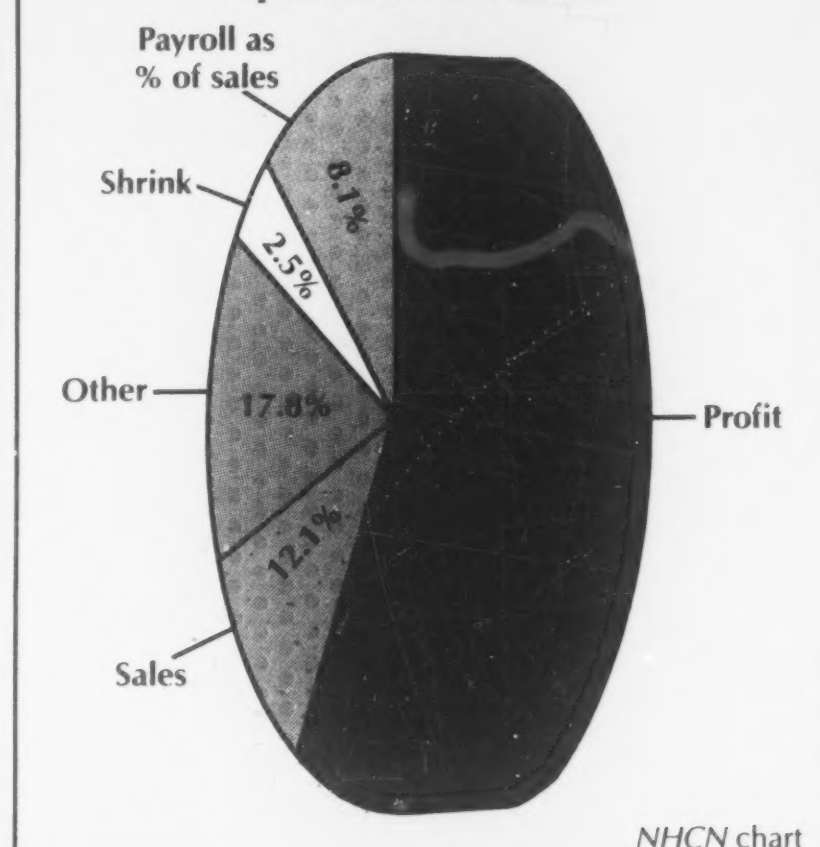
Some employees may also prefer defined contribution plans because they can receive their retirement nest egg in one lump sum rather than in installments required by the defined benefit plans.

Factors Used to Calculate Bonuses for Mid-Management Merchandising Personnel



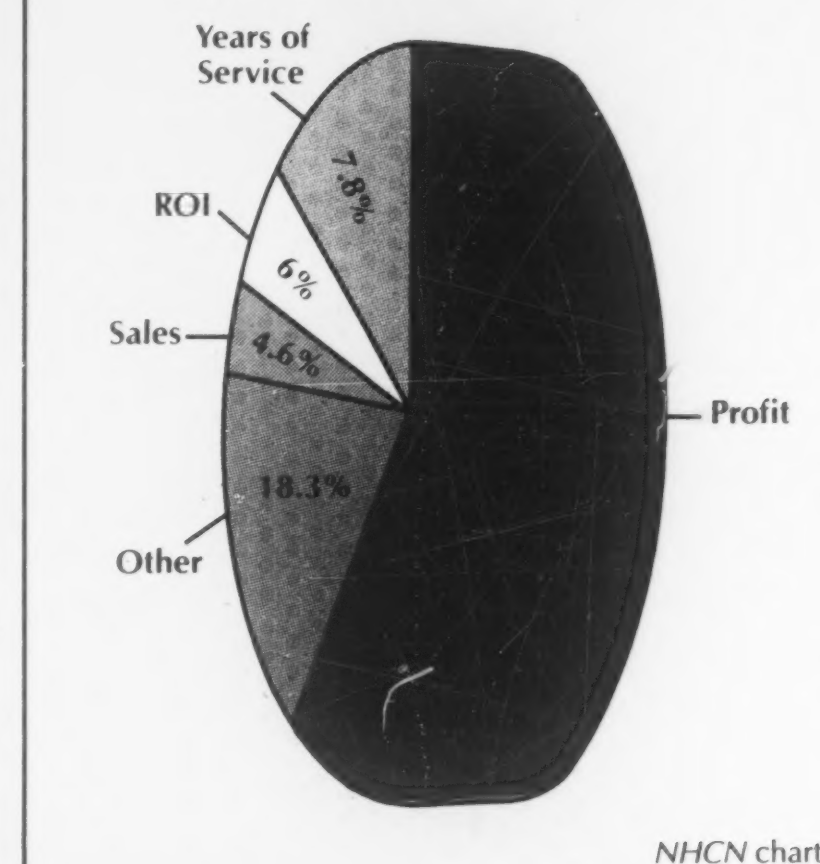
Gross margins and GMROI were the main factors for bonuses among merchandising personnel.

Factors Used to Calculate Bonuses for Mid-Management Operations Personnel



For mid-management operating personnel, profit and sales were the key determinants for bonuses.

Factors Used to Calculate Top Management Bonuses



Profit was clearly the primary determinant of bonuses for top management.

Bonuses rise, become performance incentive

By an NHCN staff editor

Bonuses are on the rise, as retailers try to motivate their employees toward better performance.

Over the past two years, bonuses have increased the most for chief executive officers and presidents. Their bonuses increased by 50.6 percent, with the median coming to \$25,000.

Area supervisors received 48.6 percent increases in bonuses, with the median being \$11,000.

Store managers' bonuses rise

Store managers have long been the most common recipients of bonuses, since retailers feel they have the most direct control over a unit's performance.

Their bonuses increased by an average of 42.9 percent, to a median of \$6,000.

Bonuses as a percentage of store manager salaries for the middle-sized and smaller retailers responding to the survey doesn't differ much from the retail industry in general. E.J. Rhodes, New York, said such bonuses normally run from 10 percent to 25 percent of base salary.

Methods Used to Calculate Bonuses for Non-Management Store-Level Personnel

(Percentage of respondents saying that criterion was among those utilized.)

Criteria	Percent
Percent of profit	42%
Salary level	36
Percent of sales	11
Return on investment	11
Percent of sales over specified quota	9
Gross margin	8
Years of service	8
Other	4

Source: Lebhar-Friedman Research NHCN chart

Profit was given 63.2 percent of the total weight in factors determining bonus size for top management.

As for bonuses awarded to mid-management personnel in operations, profit was given 59.5 percent of the weight in factors determining size, while sales was given 12.1 percent.

How Bonuses Have Increased in Size

(1987 vs. 1985)
(% increase)

CEO/president	50.6%
Chief financial officer	32.4
VP merchandising/ general merchandise mgr.	59.1
Area/regional supervisor	48.6
Store manager	42.9

Source: Lebhar-Friedman Research NHCN chart

Most levels of management showed impressive increases in bonuses from 1985 to 1987. Profit achievement and current salary levels were key determinants of bonus levels for non-management store level personnel.

Gross margin, and gross margin's return on investment, together accounted for over half the weight in factors determining bonus size for mid-management personnel in merchandising.

Long-term performance was used as a bonus criterion by only 14 percent of

those respondents with bonus programs for management.

"People have a better feel for things that happen in a shorter period of time," said Don Cohen, president of Tool King, Denver. Yet the danger of too little attention to long-term results was cited by Cohen as "the offset to the benefit" of not providing long-term parameters for bonuses.

While bonuses can motivate employees to perform better, one personnel consultant noted that companies can gain some financial flexibility from them as well. This may indicate the next step ahead for the building material industry.

"Many companies are also introducing bonuses at lower levels, in lieu of salary," said Steve Langer, president of the Crete, Ill.-based consulting firm Abbott, Langer & Associates. The motivation here is to establish a payroll that shifts with the changing fortunes of the company.

"If there is a business downturn, then they aren't stuck with the high salaries to pay," said Langer.

Home centers put premium on merchandise talent

By an NHCN staff editor

Home center chains pay more for merchandising talent than do lumberyards. That should come as no surprise, given the greater need for merchandising in home center showrooms.

For merchandising personnel, the message in this year's NHCN compensation survey is the same as the one from the survey of 1985, which was also conducted by Lebhar-Friedman Research: go where your skills are needed the most.

For the group of responding retailers, the median salary for a vp merchandising/gmm came to \$52,500. But for home centers the median was \$65,000.

Merchandise managers were paid a median of \$37,500 for the group as a whole, but \$45,000 at home centers.

To a large extent, payroll's impact on earnings is a function of the home center's size.

Payroll accounted for 14.9 percent of revenues at the mid-size and small retailers who responded to this year's survey.

For larger home centers, payroll runs from 9

percent to 10 percent of revenues, according to E.J. Rhodes, New York. Warehouse home center chains may dedicate 10 percent to 11 percent of revenues to payroll.

For companies responding to the survey, store managers received median annual salaries of \$27,500. In contrast, E.J. Rhodes reported that larger home center chains will pay store managers \$31,000 to \$40,000 in salary, and warehouse home centers and the more successful home centers of traditional design may pay between \$40,000 and \$50,000.

For full-time store help, pay came to \$5.08 per hour nationwide for wage earners just starting as cashiers.

Starting store clerks received a median of \$4.66, an amount which increased to \$5.58 after one year and \$6.35 after three years.

Respondents reported they paid less for part-time employees. Cashiers were paid \$4.06 an hour on a part-time basis. Starting store clerks were paid \$4.10 an hour, and up to \$5.50 an hour for those with three-years at the company.

Hourly Wages of Store-Level Employees

Full-Time Employees	Hourly Wages
Store Clerk (3 years w/company)	\$6.35
Store Clerk (1 year w/company)	5.58
Store Clerk (starting salary)	4.66
Cashier	5.08
Part-Time Employees	
Store Clerk (3 years w/company)	5.50
Store Clerk (1 year w/company)	4.82
Store Clerk (starting salary)	4.10
Cashier	4.06

Source: Lebhar-Friedman Research

NHCN chart

Full-time employees generally receive greater wages than do their part-time counterparts. Experienced store clerks receive \$6.35 per hour on a full-time basis but \$5.50 per hour on a part-time basis.

Medical coverage tops list of benefits most frequently offered by industry

By an NHCN staff editor

Home centers and lumberyards offer medical benefits more often than life insurance or pension plans, according to the NHCN survey.

Flexible benefit plans still have not caught on in the industry, however. Only 9 percent of the respondents offered such plans.

The most likely reason is the complexity of administering such plans, particularly for medium-sized and small retailers.

Home centers and lumberyards are in agreement in favoring profit-sharing plans over pension plans.

Of the respondents to this year's survey, 42 percent of both groups of retailers said that they offered profit sharing plans. And 22 percent of both groups offered pension plans.

Yet, home centers and lumberyards seem to be on opposite sides when it comes to the use of stock option plans.

Only 5 percent of the home centers offer such plans to their employees, while 12 percent of the lumberyards do so. The greater participation on the part of lumberyards is likely due to the fact that many such yards are family owned, and have been in existence for more than one generation.

In the area of life insurance, 59 percent of respondents offered company-paid plans while 24 percent offered contributory plans. These results did not differ markedly for home centers and lumberyards.

Benefits Provided to Management-Level Employees (% Offering Benefit)

	Total	Home Centers	Lumber/ Building Materials
Medical			
Major medical	90%	85%	96%
Hospital coverage	84	80	90
Surgical coverage	82	78	88
Accidental death and dismemberment	68	63	72
Short-term disability	46	42	52
Prescriptions	45	44	52
Long-term disability	39	46	36
Dental plan	28	34	28
Life insurance			
Company paid plan	59	58	60
Contributory plan	24	29	24
Financial services			
Profit sharing	42	42	42
Pension plan	22	22	22
Stock option/ownership plans	10	5	12
Savings plans/investments	12	20	6

Source: Lebar-Friedman Research

NHCN chart

Key Benefits Offered To:

	Management Personnel	Non-Management Personnel
Major medical	90%	88%
Hospital coverage	84	82
Surgical coverage	82	80
Accidental death & dismemberment	68	59
Company paid life insurance	59	47
Profit sharing	42	31

Source: Lebar-Friedman Research

NHCN chart

Medical reimbursements were by far the most popular benefits for management-level employees. Management also received a broader spectrum of medical benefits than did non-management personnel.

Bonuses rise in South

By an NHCN staff editor

NATIONAL REPORT — After years in which compensation in the South has run under that of other parts of the nation, change is underway.

The survey of building material retailers conducted for NHCN shows bonuses have increased in the South, although benefits still trail other regions.

Results of the survey show that bonuses at Southern companies have gone as high as \$55,000.

Store managers received median bonuses as high as \$11,000.

Retailers in the South, interviewed by telephone after the survey had been completed, said pressure was also being brought to bear on wages for entry-level positions.

"People who have been coming here from other areas have been used to making more money," said Larry Peeno, vp finance for Causeway Lumber, a \$41 million chain of three stores based in Ft. Lauderdale, Fla. "And also there is a shortage of labor that has forced wages up."

Supply and demand was cited by other retailers as well.

"In Arkansas, as close as we are to Oklahoma, you'd think wages would be hanging in there," said Dwain A. Newman, president of National Home Center, a \$68 million chain of four stores based in Springdale, Ark.

In fact, said Newman, the chain has to pay increasingly more to get the number and quality of employees it needs.

Northeast leads in compensation study

By an NHCN staff editor

NATIONAL REPORT — NHCN's survey of retail stores in the Northeast shows that employees there typically get the most favorable compensation of any region in the nation.

Some of the comparisons are striking. For example, chief executive officers get a median of \$75,000 in salaries in the Northeast, \$52,500 in the Midwest and \$47,500 in the West.

As for chief financial officers, their salary comes in at a \$61,300 median for the Northeast, and \$52,500 for the both the Midwest and West.

Store managers are paid a median of \$37,500 in the Northeast, but only \$32,500 in the West and \$22,500 in the Midwest.

Wages have always been high in the Northeast, and the tight labor conditions that region is now experiencing should only add further upward pressure on paychecks.

Retailers of all kinds have put "help wanted" signs in their windows.

"It's difficult to bring in truck drivers or clerks at any level," said Robert S. Koebele, vp-finance for General Building Products, a \$57.4 million chain based in Medford, N.Y. General hasn't experienced wage hikes as a result of the shortage. But other retail-

It's difficult to bring in truck drivers or clerks at any level.

—Robert S. Koebele,
vp-finance,
General Building Products,

ers in New England aren't so sure wage hikes won't need to result from the continuing crunch.

Bonuses better in Northeast

Bonuses are also higher in the Northeast than in other parts of the

country. For chief executive officers, the median bonus comes to \$32,500, higher than the \$25,000 median bonus awarded to their counterparts in the Midwest and the \$11,000 for ceos in the West.

It's also true that Northeast home centers feel bonuses are more important than ever for mid-management employees. Some 79 percent of Northeast respondents felt that way, compared with only 52 percent of Midwestern respondents and 60 percent of Western ones.

Benefits find more favor at Northeast respondents than elsewhere in the nation. The greatest disparity was in the category of financial services, where 84 percent of Northeastern respondents offered some financial benefit (such as profit sharing or pension plans) to management-level employees. In contrast, only 73 percent of Western respondents did so, and only 48 percent of Midwestern ones.

National survey completed in October

By an NHCN staff editor

NATIONAL REPORT — The data included in the charts and stories in this special section were derived from a new compensation study completed in October for NHCN by Lebar-Friedman Research, New York.

The survey involved mailing 472 questionnaires to the chief financial officers, comptrollers and directors of personnel at building material retailers throughout the United States.

The names were taken from the "Directory of Home Center Operators and Hardware Chains," published by Lebar-Friedman, the parent company of NHCN.

A total of 102 questionnaires were returned, representing a response rate of 22 percent.

Of the respondents, 49 percent described their stores as home centers, 40 percent as lumberyards and 9 percent as hardware stores.

Annual volumes of less than \$25 million were reported by 79 percent of respondents. And 77 percent operated fewer than five stores.

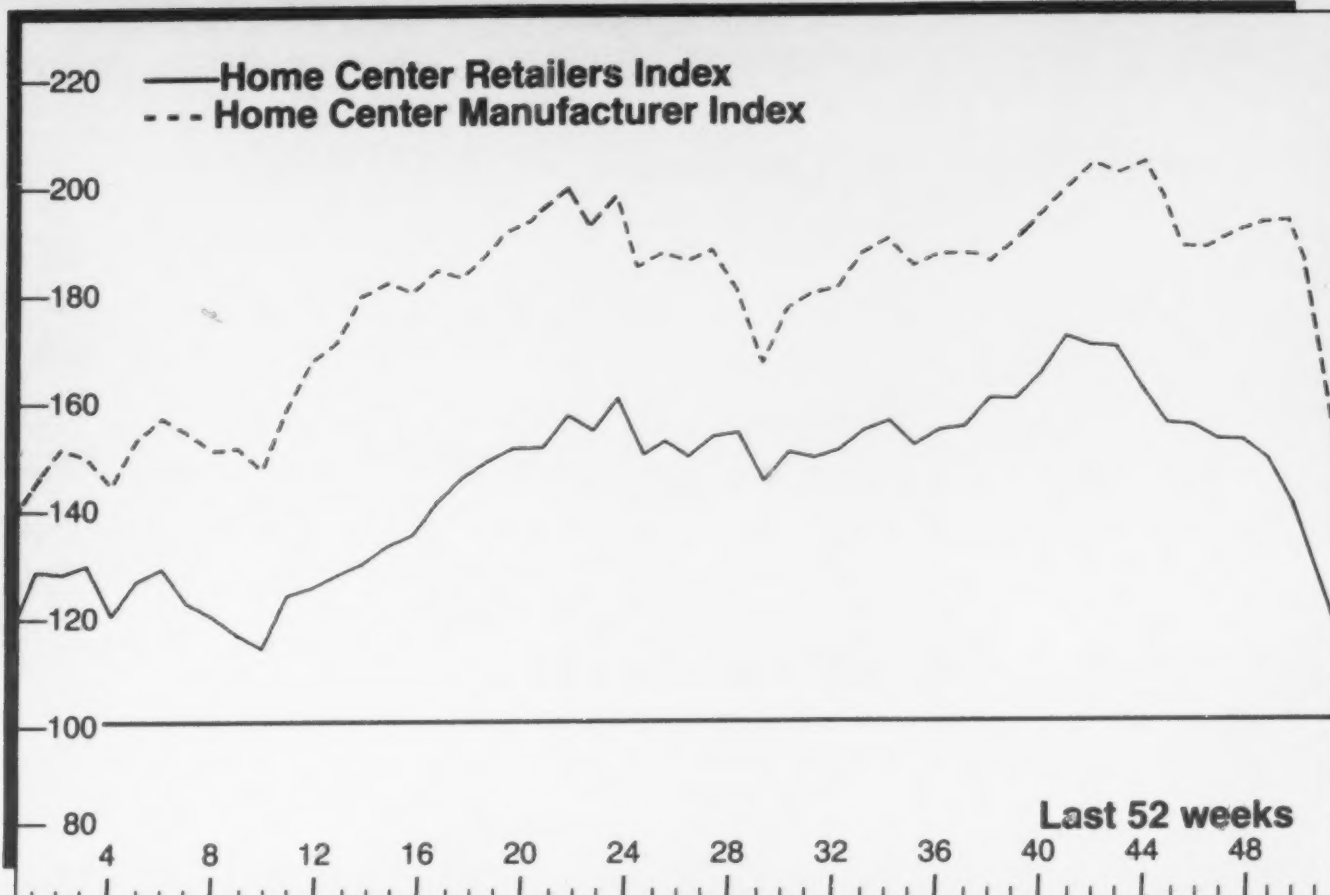
Respondents employed a median of 19.2 full-time employees, and a median of 3.0 part-timers.

The typical store had a median of 11.9 full-time employees and a median of 2.4 part-timers.

About one of five respondents employed some unionized employees. But less than one-fourth of the employees at such companies actually belonged to the union.

NHCN has published detailed findings from the survey in a report called "Confidential Study on Wages and Benefits." The report includes data from a similar survey conducted in 1985. In line with the confidential nature of the survey, participants' names are not included. The 105-page report is available for \$150 from The Publisher, National Home Center News, 425 Park Avenue, New York, N.Y. 10022.

FINANCIAL NEWS



The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on October 16, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the NHCN stock list.

MOST ACTIVE STOCKS

Company & Market	Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-30-87	(100)	%	%
Thos Inds	4,427	498.6	-15.1
Natl Hardgoods	899	481.6	-26.9
Ply-Gem	8,959	460.8	-28.4
Moore Handley	586	446.5	-47.1
Wickes Cos	67,139	394.4	-35.4
Owens Corn	62,245	367.9	-25.3
Nortek Inc	15,395	365.2	-41.7
Certain-teed	6,224	355.6	-21.2
Pope & Talbot	10,730	355.6	-29.2
Natl Lumber	1,059	347.6	-18.4

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.



PRICE MOVEMENT

Winners Company & Market	2-Weeks Ended 10-30	2-Week Price Change	Total 2-Week Volume
10-30-87	\$	%	(100)
Moore Handley	4.50	-47.1	586
Nortek Inc	7.00	-41.7	15,395
Gen Bldg Prods	5.25	-36.4	1,308
Wickes Cos	9.13	-35.4	67,139
Clairson Intl	6.00	-35.1	1,657
Pay n Pak	12.00	-35.1	1,613
Macmillan Bloedel	14.13	-31.1	25,537
Strober Organiz	8.00	-30.4	2,186
Stanline Inc	7.50	-30.2	654
DeSoto Inc	24.75	-29.5	1,562

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market	Stock Market												Financial Update																						
	Price								Volume				P/E			Indicated Divd. Rate			Latest Report			Latest Quarter						Year-to-Date							
	2-Weeks		2-Weeks		2-Week		52-Week		2-Weeks		12-Week											Volume		Revenue		Net Income		E.P.S.		Revenue		Net Income		E.P.S.	
	Ended	Change	Pct.	High	Low	High	Low	High	Low	Shares Traded	Avg. Vol.	Trend										Amt.	Yld.	New	Period	Date	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.	Chg.	Amt.
	10-30-87								Total	% Out	As % Out	Change	Ratio																						
	\$	\$	%	\$	\$	\$	\$	(100)	%	%	%			\$	%				\$Mil	%	\$Mil	%	\$	%	\$Mil	%	\$Mil	%	\$	%					
Retailers																																			
Gen Bldg Prods	M	5.25	-3.00	-36.4	7.50	4.50	12.50	4.50	1,308	3.27	.91	259.3	7.4	.00	.0	NEW	9 mos.	08-87	19.7	16.6	.8	14.3	.19	-17.4	49.5	21.3	1.8	38.5	.48	9.1					
Grossman's Inc	M	6.13	-1.25	-16.9	6.25	4.75	11.25	4.75	15,521	5.94	2.68	121.6	19.1	.00	.0	NEW	9 mos.	08-87	316.8	7.8	9.6	NE	.44	NE	819.5	7.3	11.3	NE	.53	NE					
Hechinger A	M	15.75	-2.50	-13.7	17.75	15.25	26.50	15.25	11,719	10.72	7.13	50.4	NA	.16	1.0	NEW	3 mos.	00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA					
Hechinger B	M	17.00	-2.25	-11.7	18.00	16.50	26.75	16.25	2,114	1.31	.36	263.9	15.3	.06	.4	NEW	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2					
Home Depot	N	16.25	-3.75	-18.8	18.63	12.13	28.09	11.59	36,543	8.27	2.62	215.6	18.1	.08	.5	NEW	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8					
INTERCO Inc	N	36.00	-6.75	-15.8	42.25	31.00	54.00	31.00	19,072	4.79	1.25	283.2	10.4	1.60	4.4	NEW	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7					
K mart Co	N	29.00	-5.00	-14.7	33.13	21.63	48.38	21.63	128,142	6.36	2.16	194.4	9.0	1.16	4.0	NEW	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9					
Lowe's Cos	N	18.38	-4.13	-18.3	21.25	16.25	32.75	16.25	19,603	4.95	1.54	221.4	12.6	.44	2.4	NEW	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9					
Natl Hardgoods	M	4.75	-1.75	-26.9	5.50	4.75	10.00	4.75	899	6.63	1.14	481.6	6.2	.00a	.0	NEW	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0					
Natl Lumber	M	3.88	-.88	-18.4	4.50	3.50	7.50	3.50	1,059	1.88	.42	347.6	NE	.00	.0	NEW	6 mos.	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC					
Pay n Pak	N	12.00	-6.50	-35.1	17.13	11.50	21.50	10.63	1,613	1.61	.43	274.4	12.0	.40	3.3	NEW	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5					
Payless Cash	N	12.63	-3.38	-21.1	16.25	12.00	26.88	12.00	14,667	4.23	2.20	92.3	9.9	.16	1.3	NEW	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6					
Scotty's Inc	N	12.13	-1.75	-12.6	13.75	10.00	15.88	10.00	4,387	3.00	.79	279.7	16.0	.52	4.3	NEW	3 mos.	09-87	123.7	4.2	2.3	43.8	.16	45.5	123.7	4.2	2.3	43.8	.16	45.5					
Sears, Roebuck	N	36.13	-5.38	-13.0	39.50	26.00	59.50	26.00	172,803	4.59	1.37	235.0	8.8	2.00	5.5	NEW	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0					
Std Bld Pnt	N	21.13	-2.38	-10.1	22.50	16.13	31.88	16.13	23,806	21.35	5.30	302.8	15.3	.60	2.8	NEW	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0					
Strober Organiz	M	8.00	-3.50	-30.4	9.25	6.75	15.25	6.75	2,186	3.60	1.07	236.4	8.4	.00	.0	NEW	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	-16.1	47.6	9.7	2.6	18.2	.43	-4.4					
Wickes Cos	N	9.13	-5.00	-35.4	13.75	7.25	25.00	7.25	67,139	14.04	2.84	394.4	3.1	.00	.0	NEW	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	-15.4	2994.3	42.1	110.1	201.6	2.25	200.0					
Wolchan Lumber	M	10.50	-2.25	-17.6	11.50	8.75	18.75	7.75	2,990	5.10	2.39	113.4	8.5	.20	1.9	NEW	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9					
Zayre Corp	N	18.50	-6.25	-25.3	24.13	14.38	37.00	14.38	88,734	15.27	5.15	196.5	6.7	.40	2.2	NEW	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0					
Wholesalers																																			
Hughes Supply	N	21.00	-3.00	-12.5	23.63	19.75	30.25	19.75	1,649	4.96	1.24	300.0	9.2	.40	1.9	NEW	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7					
Moore Handley	M	4.50	-4.00	-47.1	7.25	4.50	9.75	4.50	586	2.35	.43	446.5	17.3	.00	.0	NEW	9 mos.	09-87	27.4	16.6	-2	-100.0	-.09	-100.0	74.4	15.5	.5	-50.0	.19	-56.8					
Lewis Palmer	M	6.25	-.88	-12.3	6.75	5.88	9.88	5.88	3,569	8.87	2.41	268.0	16.9	.28	4.5	NEW	6 mos.	07-87	58.0	24.5	.4	.0	.09	-25.0	110.9	37.9	.7	40.0	.18	28.6					
Stanline Inc	M	7.50	-3.25	-30.2	9.00	7.00	14.00	7.00	654	3.85	1.17	229.1	6.8	.32b	4.3	NEW	9 mos.	07-87	15.7	-4.3	.5	.0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1					
Manufacturers																																			
Am Consum Prods	M	9.25	-1.50	-14.0	10.25	7.88	14.25	7.88	436	2.10	1.97	6.6	15.2	.00	.0	NEW	9 mos.	09-87	11.7	27.2	.6	100.0	.28	-17.6	31.4	21.7	1.3	160.0	.62	12.7					
Am Standard	N	36.13	-6.38	-15.0	42.00	33.00	55.00	33.00	12,430	3.86	1.51	155.6	9.7	1.80	5.0	NEW	6 mos.	06-87	878.1	12.0	39.2	-51.1	1.24	-41.8	1657.8	13.5	60.8	-53.3	1.89	-44.9					
Am Woodmark	M	8.25	-1.25	-13.2	9.38	7.25	17.13	7.25	944	1.37	.50	174.0	9.2	.00	.0	NEW	3 mos.	07-87	31.8	12.0	1.3	-27.8	.19	-36.7	31.8	12.0	1.3	-27.8	.19	-36.7					
Armstrong Wld	N	29.75	-4.25	-12.5	34.00	22.50	47.38	22.50	32,005	6.75	1.97	242.6	9.6	.90	3.0	NEW	9 mos.	09-87	622.3	23.0	43.9	23.3	.92	26.0	1760.0	23.6	116.9	26.7	2.46	28.8					
Black & Decker	N	15.75	-6.25	-28.4	20.25	13.00	26.50	13.00	39,047	6.72	2.26	197.3	21.9	.40	2.5	NEW	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0					
Boise Cascade	N	57.50	-15.00	-20.7	70.88	48.00	86.88	48.00	34,820	12.13	2.84	327.1	11.0	1.90	3.3	NEW	9 mos.	09-87	997.0	5.7	50.4	278.9	1.70	347.4	2845.2	2.1	125.8	80.7	4.17	82.9					
Certain-teed	N	26.00	-7.00	-21.2	32.25	25.00	45.75	25.00	6,224	3.28	.72	355.6	8.3	1.00	3.8	NEW	9 mos.	09-87	309.2	1.5	19.5	-2.0	1.03	-1.0	866.7	2.5	48.8	4.7	2.57	4.9					
Champ Intl	N	29.25	-8.63	-22.1	34.25	21.75	44.63	21.75	87,311	9.17	2.73	235.9	7.6	.80	2.7	NEW	9 mos.	09-87	1199.0	7.9	88.7	39.0	.94	38.2	3457.2	3.8	299.9	120.0	3.17	128.1					
Claixon Intl	M	6.00	-3.25	-35.1	8.75	5.00	18.25	5.00	1,657	3.26	1.55	110.3	14.0	.00	.0	NEW	9 mos.	06-87	18.6	30.1	.5	.0	.08	-38.5	53.8	26.0	1.5	7.1	.30	-21.1					
Cooper Indus	N	50.63	-11.75	-18.8	58.00	39.00	74.50	37.75	27,702	5.54	1.57	252.9	15.2	1.68	3.3	NEW	9 mos.	09-87	881.3	7.0	44.4	17.8	.88	14.3	2577.0	-5	117.4	17.2	2.35	14.1					
DeSoto Inc	N	24.75	-10.38	-29.5	34.88	23.38	43.75	23.38	1,562	3.95	1.04	279.8	15.9	1.40	5.7	NEW	6 mos.	06-87	118.7	-9.7	6.8	38.8	1.73	69.6	209.0	-8.5	9.0	23.3	2.27	48.4					
Enhart Corp	N	19.25	-1.75	-8.3	22.75	15.50	26.63	15.50	23,456	3.75	1.03	264.1	12.5	.80	4.2	NEW	9 mos.	09-87	578.3	18.1	23.3	NE	.37	NE	1789.9	18.5	80.1	NE	1.28	NE					
Georgia Pacific	N	33.63	-4.13	-10.9	36.50	22.75	52.75	22.75	71,282	6.55	2.29	186.0	8.6	1.00	3.0	NEW	9 mos.	09-87	2424.0	27.0	118.0	21.6	1.10	22.2	6374.0	17.1	346.0	62.4	1.63	62.9					
Insibo Corp	N	16.38	-4.13	-20.1	20.00	14.63	28.13	14.63	7,535	3.61	1.39	159.7	9.6	1.00b	6.1	NEW	9 mos.	09-87	195.7	.1	8.4	20.0	.40	48.1	544.3	-5.0	26.8	5.9	1.27	11.4					
La Pacific	N	28.13	-3.13	-10.0	30.00	21.50	39.75	21.50	27,738	7.24	2.88	151.4	9.5	.80b	2.8	NEW	9 mos.	09-87	531.8	30.5	42.6	91.9	1.11	91.4	1443.5	28.4	93.7	94.8	2.45	92.9					
Macmillan Bloedel	M	14.13	-6.38	-31.1	17.50	12.00	23.50	9.66	25,537	2.51	1.01	148.5	NA	.68	NA	NEW	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8					
Manville Co	N	2.38	-.63	-20.8	3.13	2.00	5.38	1.63	19,299	8.04	1.94	314.4	.5	.00	.0	NEW	9 mos.	09-87	547.8	7.2	48.6	82.0	1.76	107.1	1540.7	5.7	132.6	107.5	4.74	152.1					
Masco Corp	N	24.75	-2.38	-8.8	27.25	18.75	40.88	18.75	65,703	4.96	1.51	228.5	13.5	.40	1.6	NEW	9 mos.	09-87	541.4	47.4	66.7	30.0	.50	25.0	1480.0	47.7	188.0	27.0	1.42	23.5					
Mor-Flo Inds	M	8.00	-1.50	-15.8	9.25	7.50	14.38	7.75	132	.53	.34	55.9	NM	.01	.1	NEW	6 mos.	06-87	49.8	3.1	-1	-87.5	.05	-84.4	105.3	4.6	.7	-53.3	.30	-50.0					
Newell Co	N	27.25	-7.63	-21.9	34.25	24.50	43.00	24.50	3,375	2.94	.83	254.2	11.2	.84	3.1	NEW	9 mos.	0																	

Conn. builder pioneers field of non-toxic construction

(Continued from page 1)
ing and decorating materials from pressure-treated lumber to paint. Bierman-Lytle wanted alternatives.

Today, he designs and builds homes exclusively with more than 1,500 non-toxic building products. His client list is international. In 10 years, his business has grown 500 percent.

Thus far, most of Bierman-Lytle's clients have been people made ill by chemicals in building products.

"There are people who can't even live in the homes they're in now," he said.

Because their health is involved, these people will pay a premium for non-toxic products that don't come cheap.

For instance, paint without the standard chemical preservatives is about 15 percent more expensive (at cost) than commercial brands, Bierman-Lytle said.

But as more people become aware of the chemical content of common building and decorating materials, Bierman-Lytle believes they will demand non-toxic products. Consequently, the cost will come down, so home centers will be able to stock the products and maintain margins.

"With all the talk about formaldehyde and radon, people are familiar with the toxins," Bierman-Lytle said. "They just don't know what to do about them. You can't go to a home products center and buy an alternative."

Some changes are occurring, however.

As part of a settlement be-

tween the U.S. Environmental Protection Agency and the wood-treating industry, treated lumber must carry warning labels telling consumer how and where to use it.

Bierman-Lytle said that's fine as far as it goes. But because problems with chemicals may not surface until years after their use in products, he believes the non-toxic approach is best.

But some major building materials suppliers say manufacturing can't be done without some chemicals.

"It's impossible. We live in a universe of chemicals," said

Kip Howlett, director of environment, health and safety for Georgia-Pacific.

Bierman-Lytle blames much of the need for chemicals in commodities on the recent remodeling boom. "There's such a demand for products that to produce enough of them cheaply, you have to use chemicals," he said.

Manufacturers agree, but said they see nothing wrong with using the chemicals.

"To make things more cost effective, you have to add chemicals," said Joe Doherty, vp-marketing/communications for Owens-Corning Fi-

berglass in Toledo, Ohio. "To make some products work, you have to add chemicals."

Howlett agreed that chemicals are necessary to produce less expensive products, but added: "The chemicals we're using are benign."

Most of Bierman-Lytle's major suppliers are European. A Finnish company supplies paneling that is 70 percent masonry-based and 30 percent wood. He gets paint, stain and varnish from the West German firm Auro.

In the United States, Bierman-Lytle uses Air Krete, based in suburban Syracuse,

N.Y., for foam insulation.

The insulation, made with magnesium oxide instead of formaldehyde, is an excellent insulator and impervious to fire, Bierman-Lytle said.

The Connecticut Department of Environmental Protection has confirmed in four separate tests that the insulation is non-toxic.

Air Krete president R. Keene Christopher said he's surprised at the popularity of non-toxic products.

"I thought the non-toxic building material field was rather limited, but it's not," he said.

NLBMDA attendees unfazed by stock crash

(Continued from page 7)
next to you.

"That's right, the jerk next to you: The American consumer controls what happens to this economy."

It was a comforting message for some dealers who are expecting DIY sales to surge during the next 18 months.

Bob Curtis, chairman of the seven-unit Curtis Lumber Co., Ballston Spa, N.Y., thought that with contractors tied up on projects, consumers have no option but to take on a variety of jobs around the home. Because housing starts slumped slightly, Curtis thought that builders and consumers would tackle projects both formerly would have avoided.

"Everybody around our area has been busy building, so a lot of work has fallen on homeowners," he said. "In

roofing in particular, homeowners are patching up their roofs until they can find a contractor to do the job right. I think all of that is good for business."

Barbara Douglas, acting executive vp of the Lumbermen's Association of Texas, said many dealers in her state are optimistic that the economic travails of Texas are subsiding.

"Hopefully, we've hit bottom in Texas and are on the way up. That's what everyone seems to feel, anyway," she said.

The sentiment was echoed by Fred Caruso, executive vp

of the Mountain States Lumber dealers, whose association represents industry retailers in Colorado, Utah, Arizona, Wyoming and New Mexico.

"In general, lumber dealers in our area have been holding their own because they've made so many cutbacks... that they've become very lean and efficient operators," Caruso said. "So when the economy rebounds, their recovery is really going to be great."

Harlan Hummel, executive vp of the NLBMDA, said one reason many retailers seemed to be in a buoyant mood was that many had returned to the

"basics," and are not as financially exposed as they were in previous economic downturns.

"People look at what happened on Wall Street and they are not as worried by the big drop," Hummel said. "So the mood is generally optimistic." The one thing he feared were interest rates inching up to the 13 percent level.

"I think dealers learned a lesson in the early '80s and they are not as vulnerable as they once were. This doesn't mean that the answer is in the DIY business, but the industry is changing faster and the dealer has to change with it."

Big storm stirs up increased sales for British home centers

(Continued from page 5)

And B&Q moved quickly to grab a big chunk of that business.

By 1 p.m. on the day following the storm, the company had radio commercials airing nationally, advertising repair materials and tools. Two days later, B&Q rolled out print ads.

"And it paid off," Whiting said, "because... the newspapers were full of pictures and stories about the problem, and there we were in the middle of it telling people we had the products they needed."

B&Q also latched on to a national movement to replant trees that were destroyed, offering discount coupons for beech and ash trees.

"We really saw it as an opportunity, to really get involved with the wave of sentiment that's going through the country," Whiting said.

Not all retailers took advantage of the opportunity.

"We really didn't want to cash in on anyone's misery," said Wickes' Whowell. "That's not our style."

Despite heavy demand for

some products, retailers said shortages were few.

Wickes already had a full supply of fencing in stock, because this is the season when fencing is normally replaced by homeowners. Immediately after the storm, B&Q called suppliers to beef up stock and transferred 100 miles of fence-

ing from its other stores to those in southeastern England.

At Texas Homecare Ltd., "inevitably, there would be some shortages, but mostly we were able to meet demand," said Michael Dark, marketing services manager for the chain.

Canadian Tire's financial reorganization to be voted

(Continued from page 6)

Jim Turner, general counsel for the Ontario Securities Commission, said that if the proposal is accepted by the shareholders, the OSC would not likely intervene.

Further, the OSC is not taking a position regarding the separate class of B common shares as it has no policy regarding defensive tactics prior to a takeover bid.

No date had been set for the Class A shareholder vote on the proposal. While CT could at any time ask for a vote on the proposal, it is likely to wait until the Class A shareholders

decide on their stance.

On a lighter note, an Oakville, Ont., resident gave out 100 individual shares of CT Class A stock to children for Halloween. Thomas Reid said he had decided to give out shares as a result of the recent "doom and gloom on Wall Street." He felt children should get a sense of the role stocks play in the economy.

"I chose Canadian Tire because it is a unique retail operation," he explained. "I went over a long list, and Canadian Tire jumped at me. I know that the Class A shares will appreciate."

NLBMDA plans Wash. internship

(Continued from page 6)

week six would require the student to prepare a paper about his experience in Washington.

In addition to being the son or daughter of a lumber dealer or of a lumber and building material firm employee, each intern must exhibit some previous interest in the industry,

such as full- or part-time work or enrollment in an industry-related academic curriculum.

Membership in an industry-related association, or some evidence from the parents that the applicant is interested in making a career in the industry are other criteria that will be considered.

The selection process in-

cludes the submission by Dec. 1, 1988, of a resume and an essay of no more than 500 words describing why the intern should receive NLBMDA's endowment.

Despite the late announcement, Carpenter said he is hopeful that a student will be selected to kick-off the program by June or July.

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Retailers hedge bets on snow thrower sales

By Suzanne Floyd
NHCN staff editor

NATIONAL REPORT — Because snow thrower sales remain as unpredictable as the weather, snowbelt retailers are stocking and promoting the products conservatively by either waiting to sell existing inventory or buying only for as far out as February.



Snow throwers are cross-merchandised with shovels and other outdoor products at one of Canadian Tire's stores in Toronto, Ont. NHCN photo

That is, if retailers are carrying snow throwers at all.

The Outdoor Power Equipment Institute reported a 9.1 percent increase in total domestic snow thrower shipments for the model year ended February 1987. This, however, was not incentive enough for retailers to buy the snowblowers freely.

Bob O'Quinn, a spokesman for Ace Hardware Corp., Oak Brook, Ill., said that snow thrower purchases by Ace dealers in the Midwest were conservative due to some leftover stock.

Even in the East, where heavy snowfall last season cleared out most dealers' inventories, O'Quinn said that

buyers from that region were also conservative.

Lloyd Home and Building Centers, a Danbury, Conn., chain, does a small snow thrower business despite the potential for snow in its northeastern markets. Seasonal buyer Jeff Gross bought only one electric unit, which is being promoted at \$155.99, for each of Lloyd's 35 stores.

"I believe we could sell it if it snows. There's enough business for everyone if it snows," he said.

Meanwhile, in the Midwest, Moser Lumber, Naperville, Ill., said that

(Continued on page 66)

Orchard battles low-price by beefing up L&G image

By Elizabeth Brent
NHCN staff editor

SAN JOSE, Calif. — Orchard Supply is fighting back in the competitive San Jose/south bay area market by repositioning itself as the value store for home and garden.

By combining its strength in nursery products with a message about its selection and services, Orchard hopes to combat the low-price image of newcomers Home Depot and Pay 'N Pak and gain market share.

"We've been dominant with the male audience for a while and now see our greatest capacity for growth is with the female audience and our area of nursery, garden and housewares," said Joe DiRocco, vp-marketing and advertising at Orchard Supply Hardware.

The chain has beefed up its nursery selection and added lines of barbecue grills and patio furniture; introduced new signs; and redesigned its nursery to make it easier for customers to shop.

(Continued on page 66)



Coast chairman wakes up once-sleepy buying group

By Brad Altman
NHCN staff editor

DENVER — CoastAmerica plans to increase sales volume outside its traditional base of Coast to Coast hardware stores by using "underutilized assets" such as its distribution centers and trucking fleet, according to company chairman Richard Bard.

The dynamic Bard, who presides over the 59-year-old nationwide franchisor of 992 hardware stores, has a number of ideas in the works for the once-sleepy buying group, including the development of a

(Continued on page 65)



Richard Bard, chairman of CoastAmerica. NHCN photo

Market panic doesn't affect remodel plans

By an NHCN staff editor

NATIONAL REPORT — Far fewer people postponed home improvement plans than home purchases as a result of last month's stock market crash, according to a nationally projectable survey conducted two weeks after Misery Monday.

The survey of 450 consumers during the days of Oct. 29 through Nov. 4, conducted for NHCN by Leo J. Shapiro & Associates, also found that only around one in 10 respondents delayed home improvement projects because of the stock market collapse.

Overall, the Shapiro data show a far more confident consumer than has been depicted in many national news surveys, and one whose lifestyle appears to have been affected only marginally by Wall Street's gyrations.

(Continued on page 27)

Chains bullish on stable Columbus market

Columbus at a Glance

Metropolitan Columbus population (thousands)	1,301
Median disposable household income	\$24,556
Total retail sales (billions of \$)	8.5
Building material & hardware sales (millions of \$)	\$362
Total residential building permits issued 1986	3,147
Single family building permits issued 1986	2,493

Sources: Sales & Marketing Management Survey of Buying Power, July 1987 and Columbus Building Department

By Ariane Sains
NHCN staff editor

COLUMBUS, Ohio — Harking after Hechinger? Try Columbus. Searching for Sutherlands? Try Columbus. Ferreting out Furrow? Try . . . you guessed it.

Whether it's a major chain or a small independent, chances are you'll find it in this metropolitan area of roughly

1.3 million people.

"I don't know what the draw is," says a representative for one chain, who asks not to be identified. "But everyone keeps coming. Stores are opening all the time."

One reason the market is so attractive, say long-established dealers, is the diversified economy, which tends to

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Industry execs assess life after crash 27



Self-service in hardlines still a dream 28

Hardlines under glass helps keep shoplifting in check 39

NEWSBREAKS

HOUSING SLUMPS TO 4-YEAR LOW: Housing starts plummeted in October to hit their lowest level since late 1983, the government reported. The 8.2 percent drop from September's figure means an annual construction rate of 1.51 million houses and apartments. The decline is the steepest one-month drop in three years. Economists blamed rising interest rates and builder worry over the stock market crash for the decline. Mortgage rates now stand just below 11 percent nationally.

INDUSTRY UPDATE

O'Connor opens largest unit

BRAINTREE, Mass. — P.F. O'Connor opened what may be the largest building materials store in the United States on Nov. 6 in Revere, Mass., northeast of the city of Boston.

The warehouse store has 300,000 square feet of retail space and carries 25,000 stockkeeping units displayed on 32-foot H-frame racking, according to president Patrick O'Connor.

This is a major departure for the 10-unit company which only entered the DIY arena in 1986 when it acquired the Providence, R.I.-based Brewster stores.

Its core business until then was in running five contractor-oriented lumberyards with a narrow range of building materials.

Thurman granted right to appeal

SEATTLE — A federal judge has granted Thurman Industries' request to appeal to the Ninth Circuit Court of Appeals a pretrial ruling in the long-running antitrust lawsuit against Pay 'N Pak.

The decision means that a trial, originally set for Oct. 26 before federal Judge Barbara J. Rothstein here, will be postponed for at least several months.

Kirkland, Wash.-based Thurman Industries is suing Pay 'N Pak for at least \$3 million, claiming that the Kent, Wash.-based retailer engaged in antitrust violations. Pay 'N Pak has denied the allegations.

Ex-Coast coo joins discounter

MATTHEWS, N.C. — Ralph D. Dillon, who resigned as president, chief operating officer and a director of Denver-based CoastAmerica Corp. in August, has been named president and coo of Family Dollar Stores, a discount store chain based here.

Dillon joined CoastAmerica in April 1985.

Previously he was president and ceo of Dallas-based Bowater Home Centers and an area vp with Wickes Lumber. His decision to leave CoastAmerica came after the buying group's chairman, Richard Bard, assumed the added role of chief executive officer a few months ago.

Former Lanoga vp starts co.

BELLEVUE, Wash. — Monte A. Leen, the former merchandising and marketing vp for Seattle-based Lanoga Corp., has established an import trading company based here.

The company, Leen & Associates, specializes in new home center-related products which are sourced in Taiwan, Hong Kong, South Korea and the Philippines.

Leen departed from Lanoga earlier this year after the company reverted to a centralized merchandising.

Big Tool Box upgrades stores

AURORA, Colo. — The three Big Tool Box hardware stores in the Denver market will be remodeled by year end as part of a companywide program to upgrade the stores, said Richard Hoots, manager of the 15,000-square-foot flagship unit located here.

Denver-based Mentor Inc. sold the chain to Jim Grabow this past August. Under Grabow's direction, the flagship store is being remodeled "to make it easier to shop," said Hoots. The other two Big Tool Boxes will be refurbished by adding higher shelving, he added.

Most stocks bouncing back

NATIONAL REPORT — For the most part, home center stocks rebounded in the two-week period that ended Nov. 13.

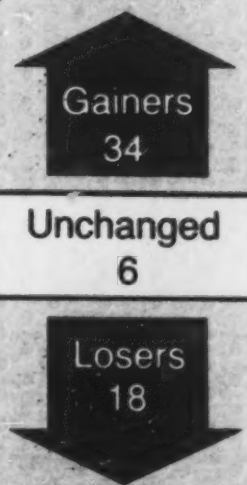
Of the 58 stocks tracked for NHCN by Media General, 34 increased in price, six remained unchanged and 18 declined.

Stanline, the California-based wholesaler, was the leader for the two-week period, increasing by 43.3 percent to close at \$10.75.

Moore-Handley increased 22.2 percent to \$5.50.

Pay 'N Pak increased 20.8 percent to \$14.50.

Payless Cashways, the Kansas City, Mo.-based home center chain, increased 10.9 percent to \$14.

**Group fights for affordable N.Y. housing**

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — Alice Dickinson's idea for affordable housing in rural Orange County, N.Y., was born of personal experience.

As a single mother, Dickinson knows how difficult it is to afford a home on one salary in the county, where prices start at \$70,000. But unlike others in the same situation, Dickinson, executive director of the Orange County Rural Development Advisory Corp., was able to change things.

With recent Senate consideration of a major housing bill, national attention is more sharply focused on the homeless and home costs than it has been in seven years. But political maneuvering has put the bill in limbo.

President Reagan had vowed to veto the bill, and convinced Republicans to block a vote on it in the Senate on Nov. 17. The legislation's major congressional sponsors, Senators Alfonse M. D'Amato, a

(Continued on page 20)

Airington will succeed Schumacher as next Georgia-Pacific president

By an NHCN staff editor

ATLANTA — Harold Lloyd Airington will be Georgia-Pacific's new president effective Feb. 1.

The 59-year-old Airington, who was G-P's executive vp-building products, will succeed Robert A. Schumacher, who is retiring at the age of 64 on Jan. 31.

Airington's position will be filled by Robert P. Hogan, currently executive vp-operations. Hogan is 49.

"Hal Airington has been instrumental in developing Georgia-Pacific's leadership in the building products industry, and his talents will be important to our continued progress," said G-P's chairman and ceo T. Marshall Hahn Jr., in a prepared statement.

Joined GP as salesman

A native of Rockingham, N.C., who now resides in Atlanta, Airington joined G-P as a wood products salesman in 1955.

From 1960 to 1978, Airington held branch and regional manager positions. He was promoted to vp-wood products sales in 1978, and held that post for seven years.



Harold L. Airington, Georgia-Pacific's new president.

In 1985, Airington was named group senior vp-building products.

Prior to joining G-P, Airington was employed with Associated Plywood Co., U.S. Plywood (which is now owned by G-P), and was a salesman for American Door.

He is a trustee with the American Plywood Association; on the board of governors of the National Forest Products Association; and a member of the executive board of the Boy Scouts of America.

Breedlove takes new position at Depot

By an NHCN staff editor

ATLANTA — John Breedlove, the former senior vp-merchandising for Payless Cashways, has joined The Home Depot as manager of special projects. He relocated to Atlanta and was scheduled to begin the week of Nov. 15.

As special projects manager, Breedlove will report to Bruce Berg, the chain's East Coast vp-merchandising. Breedlove will not be assigned to a specific geographical area.

Ron Brill, Home Depot's senior vp and chief financial officer, said that the position was newly created. He was reportedly "in training" out in the chain's stores and could not be reached for comment about what his new position would entail.

Breedlove, 44, resigned from Payless Sept. 1 af-



John Breedlove, Home Depot's manager of special projects.

NHCN photo

ter the Kansas City, Mo., chain consolidated its merchandising and marketing departments and placed them under the supervision of Dale Pond. He had been with Payless since December 1981.

Breedlove joined Payless as vp-merchandising and was later promoted to senior vp-

merchandising.

His first 12 years in the industry were with West Building Materials, Atlanta, where his titles ranged from product line manager, vp-manufacturing and vp-merchandising. He received his education from The Citadel, where he earned a degree in business administration. He received an MBA from Georgia University.

After leaving Payless, Breedlove was wooed by a number of home improvement chains (one being Erb Lumber, which recently named Brian Burton as its executive vp). But he told NHCN that he was desirous of working in a warmer climate.

One week before he started with Home Depot, Breedlove could be seen walking around The Home Center Industry's President's Council in Chicago wearing a button that said "Free Agent."

Lowe's wins award for annual report

By an NHCN staff editor

NORTH WILKESBORO, N.C. — The 1986 annual report from Lowe's Cos. has been named best of the year by *Financial World* magazine.

The \$2.3 billion home center chain received the magazine's gold award after judges re-

viewed over 1,000 entries to the annual contest.

In announcing the award in its Nov. 3 issue, the magazine noted that the Lowe's report addresses customers, employees, competitors, government and the public at large "with as much care as it addresses its shareholders."

John J. McCabe, president of the New York Stock Exchange and one of the judges in the contest, called the Lowe's annual report "a prudent investor's delight."

Lowe's also won a gold award in 1971, when Robert L. Strickland, now company

(Continued on page 65)

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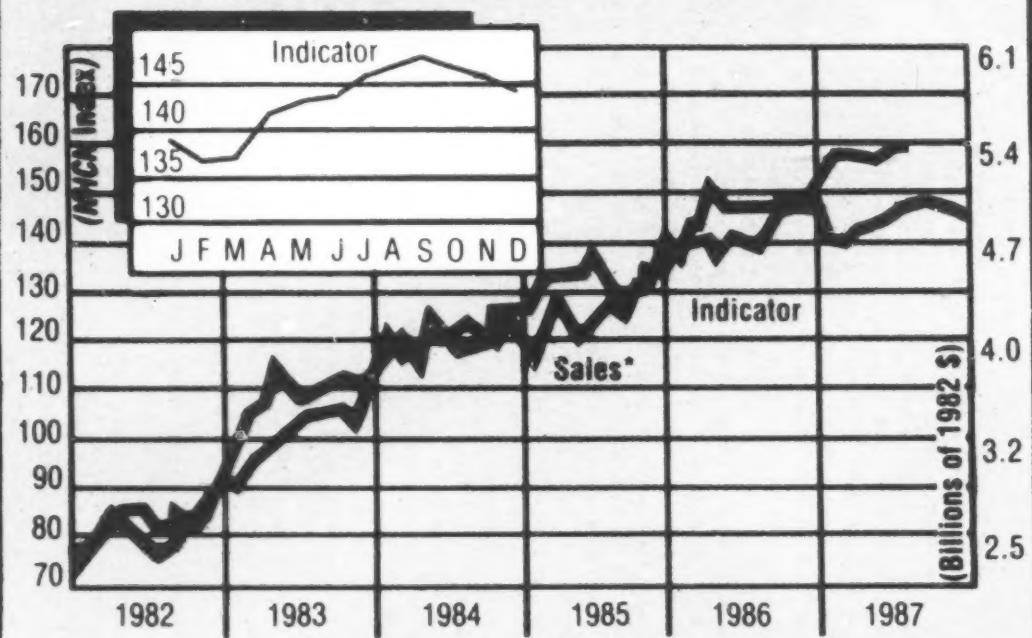
Available for calls 9-5:30 (E.S.T.)

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BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 \$).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building materials sales during the fourth quarter of 1987. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

Texas building material sales to be slightly stronger in '88

By Richard E. Mount
Special to NHCN

The Texas economy is recovering slowly from its bout with weak oil prices. For building materials retailers, sales in the state are likely to increase 3 percent this year, unchanged after inflation. For 1988, sales will be only slightly stronger, up 4 percent in dollar volume.

Of the three major energy producing states in the West South Central region—Texas, Oklahoma and Louisiana—Texas has the most diverse economy. In addition to oil and gas exploration, it has large high-tech manufacturing, agriculture, finance and service sectors. Crude oil prices are currently running about \$18



Richard E. Mount

per barrel, up from a low of \$10 in 1986. Drilling costs, at the same time, are down from last year. With the higher crude prices and lower drilling costs, energy mining will rise in 1988.

A recent study of the Texas economy by the Federal Reserve Bank of Dallas suggests that for every new job in energy, another two to three jobs are created elsewhere in the state.

High-tech manufacturing has recovered from its 1986 weakness with Texas-based firms such as Tandy and Compaq doing well.

Texas has a large oil field machinery manufacturing sector as well. Due to the surplus of drilling rigs, (Continued on page 17)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1987				1988				1986	1987	1988
		QI	QII	QIII	QIV	QI	QII	QIII	QIV			
NHCN Leading Sales Indicator (February 1980 = 100)		141.1	143.8	146.4	143.7	141.1	142.3	143.5	144.7	130.4	143.8	142.9
Building Material Retail Sales												
Current	\$ Millions SAAR Total United States	69,660	68,976	70,796	71,623	72,005	72,756	74,118	75,336	65,529	70,264	73,604
	New England	3,672	3,913	3,731	3,753	3,766	3,798	3,862	3,928	3,301	3,767	3,838
	Middle Atlantic	8,600	9,279	9,041	9,110	9,145	9,225	9,383	9,548	7,899	9,008	9,325
	East North Central	11,515	12,784	12,595	12,756	12,838	12,987	13,245	13,513	11,126	12,412	13,146
	West North Central	4,626	5,195	4,906	4,949	4,976	5,027	5,122	5,220	4,393	4,919	5,086
	South Atlantic	13,964	12,947	14,244	14,425	14,495	14,639	14,905	15,183	12,980	13,895	14,805
	East South Central	4,120	3,959	4,099	4,168	4,212	4,271	4,380	4,479	3,683	4,087	4,336
	West South Central	8,109	7,470	7,653	7,742	7,784	7,880	8,042	8,233	7,523	7,744	7,985
	Mountain	3,797	3,474	3,788	3,846	3,867	3,907	3,988	4,064	3,457	3,726	3,956
	Pacific	11,257	9,956	10,740	10,872	10,923	11,023	11,192	11,368	9,550	10,706	11,126
Constant	Millions \$1982 SAAR Total United States	64,420	63,551	64,792	64,900	64,600	64,500	64,800	65,000	60,490	64,416	64,725
	New England	3,396	3,605	3,415	3,401	3,379	3,367	3,376	3,380	3,125	3,454	3,375
	Middle Atlantic	7,953	8,549	8,274	8,255	8,204	8,179	8,204	8,216	7,476	8,258	8,201
	East North Central	10,649	11,779	11,526	11,559	11,518	11,513	11,580	11,629	10,534	11,378	11,560
	West North Central	4,278	4,786	4,490	4,485	4,464	4,457	4,478	4,492	4,158	4,510	4,472
	South Atlantic	12,914	11,929	13,036	13,071	13,004	12,977	13,031	13,065	12,286	12,737	13,019
	East South Central	3,810	3,648	3,751	3,777	3,779	3,786	3,830	3,855	3,487	3,747	3,812
	West South Central	7,499	6,882	7,004	7,016	6,983	6,985	7,031	7,085	7,120	7,100	7,021
	Mountain	3,511	3,201	3,466	3,485	3,469	3,464	3,486	3,497	3,271	3,416	3,479
	Pacific	10,410	9,173	9,829	9,852	9,800	9,772	9,785	9,783	9,034	9,816	9,785
Per Cent of U.S. Total												
Current	Per Cent of U.S. Total (\$Current) Total United States	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.27	5.67	5.27	5.24	5.23	5.22	5.21	5.20	5.17	5.36	5.21
	Middle Atlantic	12.35	13.45	12.77	12.72	12.70	12.68	12.66	12.64	12.36	12.82	12.67
	East North Central	16.53	18.53	17.79	17.81	17.83	17.85	17.87	17.89	17.41	17.66	17.86
	West North Central	6.64	7.53	6.93	6.91	6.91	6.91	6.91	6.91	6.87	7.00	6.91
	South Atlantic	20.05	18.77	20.12	20.14	20.13	20.12	20.11	20.10	20.31	19.77	20.11
	East South Central	5.91	5.74	5.79	5.82	5.85	5.87	5.91	5.93	5.76	5.82	5.89
	West South Central	11.64	10.83	10.81	10.81	10.81	10.83	10.85	10.90	11.77	11.02	10.85
	Mountain	5.45	5.04	5.35	5.37	5.37	5.37	5.38	5.38	5.41	5.30	5.38
	Pacific	16.16	14.43	15.17	15.18	15.17	15.15	15.10	15.05	14.94	15.24	15.12
Industrial Production												
Index (1977 = 100)	Brick	98.1	97.1	99.3	96.3	95.4	94.3	93.1	91.6	92.9	97.7	93.6
	Cement	117.9	111.1	107.2	105.7	103.5	101.9	100.4	99.6	109.3	110.5	101.4
	Gypsum Wallboard	134.6	134.2	133.1	132.1	131.2	130.4	129.5	127.6	133.3	133.5	129.7
	Hardware	102.9	103.8	105.2	103.9	102.9	101.5	100.4	99.7	102.1	104.0	101.1
	Lumber Products	139.8	143.7	138.2	131.6	127.5	125.4	123.4	121.1	133.3	138.3	124.4
	Paint	100.0	97.3	103.4	102.2	101.6	101.1	100.7	100.1	100.2	100.7	100.9
	Plywood	175.6	181.0	175.0	162.0	158.6	156.2	154.6	153.2	161.8	173.4	155.7

Date: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 30, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The NHCN Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for NHCN

BUSINESS WATCH

Texas economy showing signs of slow recovery

(Continued from page 16)
this sector of manufacturing remains well below prior levels of output.

Employment down in Texas

Texas unemployment remains at a high 8.7 percent, or 1.3 percent below a year ago. Behind this weakness is a 4.2 percent decline in mining and an 11.1 percent fall in construction.

The Texas economy enjoyed a boom in construction in the early 1980s and commercial buildings are now being completed faster than additional units started.

Less cyclical sectors such as finance and services are also slightly below last year's pace, spillovers from the weakness in mining.

The decline in employment, nevertheless, is an improvement from the almost 4 percent decline at the beginning of the year.

Among the three major cities in Texas, Dallas is currently facing the sharpest decline

but resales strong since the third quarter of 1986.

Resales remain the best leading indicator of future building materials sales. Resales soared in the last quarter of 1986, propelled by the desire to use capital gains for investment properties.

Under the new tax law, the price appreciation of second or investment homes will be taxed as personal income after 1986, not as the lower taxed capital gains. Strength in resales during 1987 and gains in employment will keep building materials sales strong in 1988.

Of the three major energy producing states in the West South Central region—Texas, Oklahoma and Louisiana—Texas has the most diverse economy.

in employment on a year-over-year basis—down 3 percent. Construction is the major drag on the market—off 23 percent from last year.

Houston is off only 1.7 percent and San Antonio 0.8 percent. Both of these cities are also weak in construction employment.

Dallas does not have the weakest economy of the three cities, but its correction in building activity occurred later and makes current year-over-year comparisons look poor.

Houston has the highest unemployment rate of the three—9.3 percent.

Employment should be up

Employment should turn positive by year end, however, and the spillovers from mining into other sectors should revive other areas of the state's economy in 1988. Total employment should be up 1.5 to 2 percent next year. The drag on the economy in 1988 will be the construction of offices, hotels, industrial buildings and stores rather than energy exploration. These construction markets will remain soft until 1989 at the earliest.

Resales are best indicator

The dollar value of building materials sales should increase about 4 percent in Texas during 1988, slightly slower than the national average. Employment has been weak

Texas Resales
(Thousands of units)
SAAR

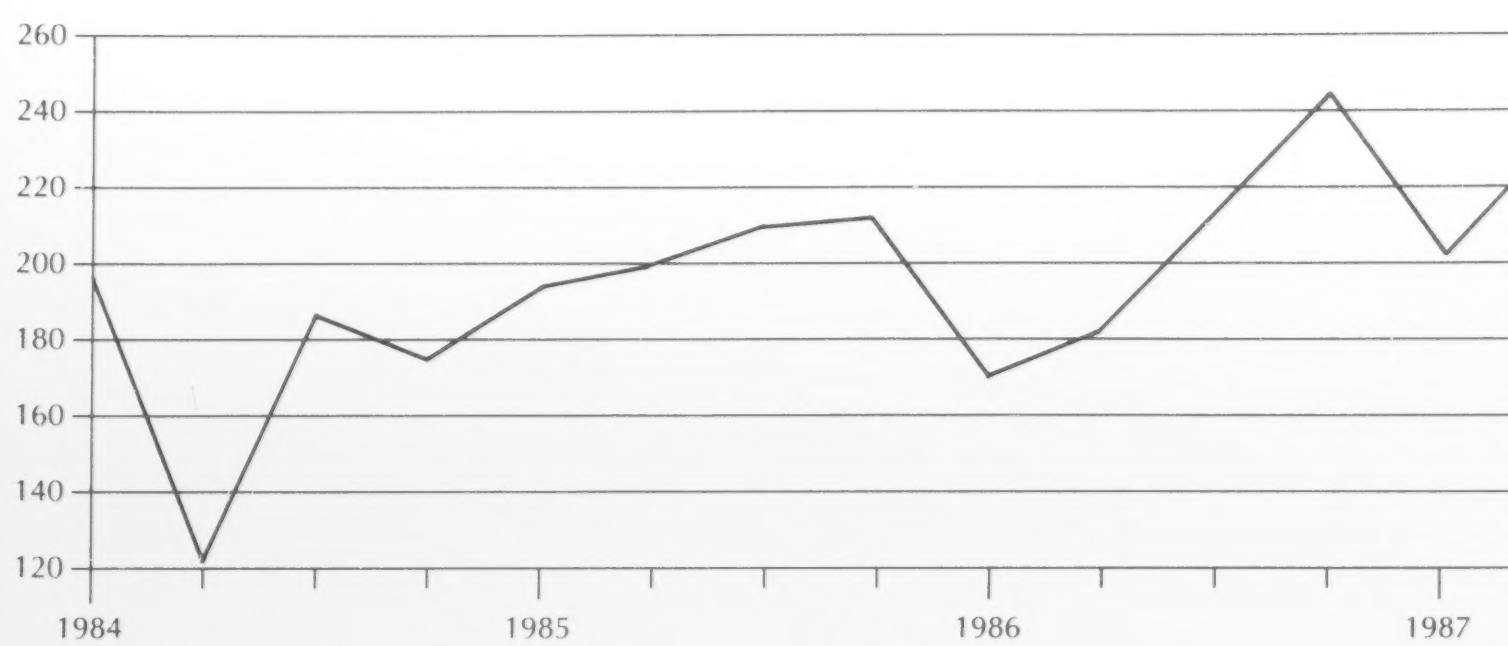
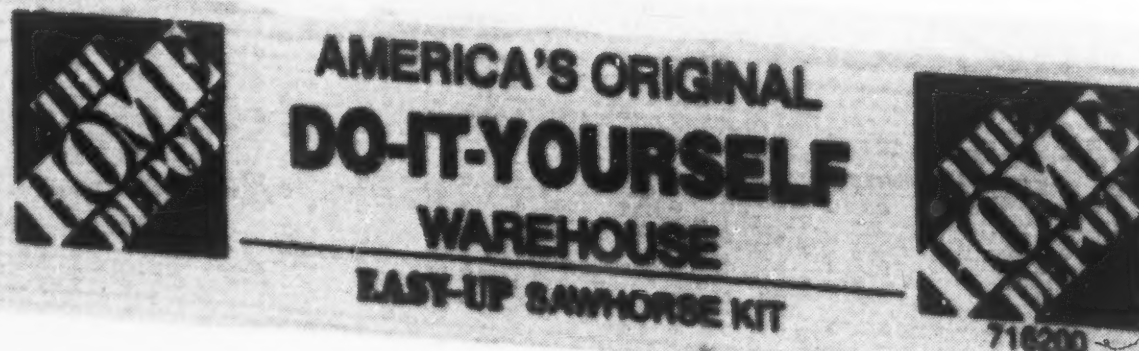


Chart: NHCN

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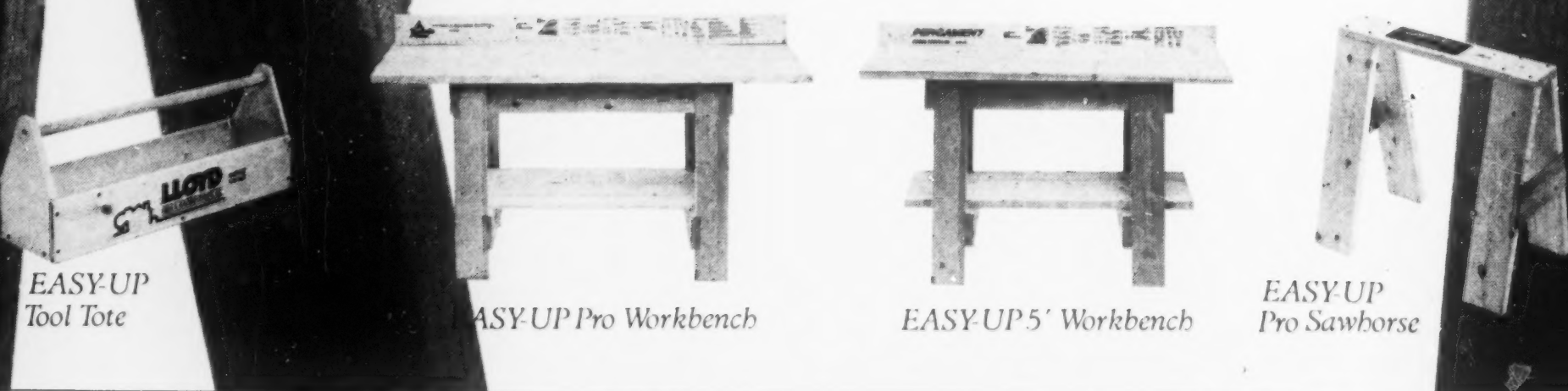
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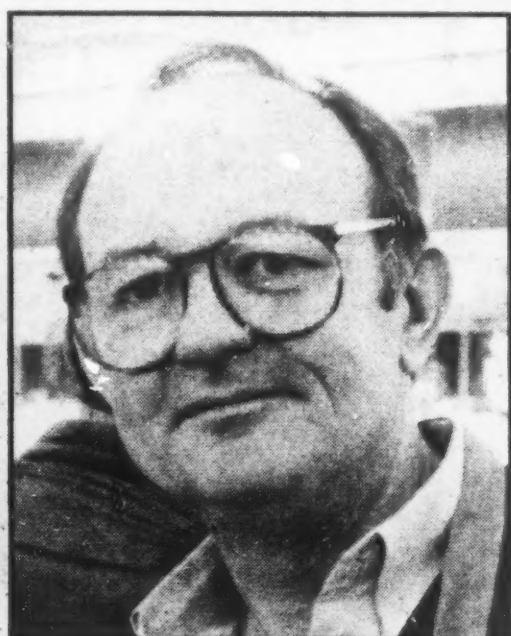
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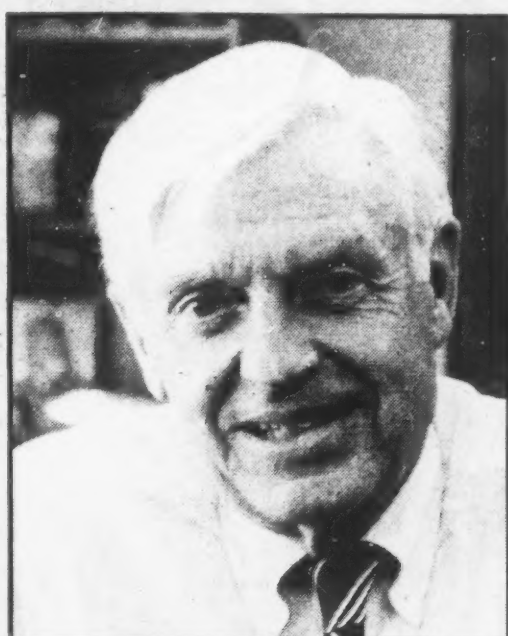
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NBMDA



Bill Loftus
Ace Hardware

Industry executives assess life after the crash

National Home Center News polled the leading industry executives on their views of the market crash and what they expect the business climate would be over the next 12 to 18 months. The following are excerpts from those interviews.

William Farrell, executive director, American Hardware Manufacturers Association:

There is no major trend to change any philosophy, forecasts or plans, although manufacturers are aware of the perception that consumers could be adversely shaken by the news they are hearing.

But our people believe that the recent drop in interest rates will reduce inventory carrying costs and help the housing market, which are very positive offsets.

David Stanley, chairman, Payless Cashways:

I believe that consumption patterns are heavily influenced by changes in consumer wealth. And in a non-competitive, dwindling economy whose value has been diminished because it's based on consumption rather than savings and production, there will be a relative decline in the standard of living—maybe by as much as 3 percent—which is bound to affect the growth of our own business.

Donald Davis, chairman, The Stanley Works; chairman, National Association of Manufacturers:

The recent decline, at this juncture, hasn't damaged the country.

But the budget negotiations between the Administration and the Congress have taken on symbolic proportions way beyond their immediate import, and if people start believing that government can't deal with macroeconomic issues, there could be another bad reaction.

Then consumers may start holding back on purchases and this could push the recession up to mid-1988. These are all pretty big "ifs," though, and if Congress and the President work out their differences, the world will breathe a sign of relief.

John Hechinger Sr., co-chairman, Hechinger Company:

In the long run, the market will bounce back. It will have a long-range difference to some, but our timing was perfect going to market in March with a long-term debenture. We have a quarter of a billion—that's "b" as in boy—in cash. We would hope that some acquisition would come our way.

Lawrence Chimerine, chairman, Wharton Econometrics:

We're dealing with measuring [con-

sumer] confidence and fear and that is difficult to do.

Some people who lost money in the stock market are going to reconsider remodeling or buying a home at the higher interest rates.

We will know the effects in the next month or two. Some retailers say sales are off a bit, even housing looks a little

softer. There is a little cautiousness.

Arthur Blank, president, The Home Depot:

We're not in the stock market business, we're in the home improvement business. It will have a recessionary effect. To a certain extent, as you know, the business is recession-proof.

We are running the business as aggressively and as well as before with no changes.

Al Leitschuh, executive vp, National Building Material Distributors Association:

You can always say that it was paper money and not real. [But] the severity was fairly substantial. When they take that much money out of the economy, it will have a ripple effect.

None of our members mentioned specific problems. Plans maybe were rethought with dealers being a bit tentative about expending a heavy input of capital at this time.

Nolan Archibald, chairman, Black and Decker:

We are optimistic that our business will do well even in light of the turmoil of the financial market. We have a favorable cost position as a result of our restructuring efforts. There has been no immediate effect from the crash. However, it would be unreasonable not to be cautious.

William W. Boeschstein, chairman, Owens-Corning Fiberglas:

With regard to the immediate effect we have noticed no change one way or another in sales or order patterns. With regard to the long-range effects, our concern is that the stock market crash can clearly affect consumer confidence.

Ronald P. Hogan, executive vp-operations, Georgia-Pacific:

While we have not altered our future plans, we continue to aggressively control costs. We are reviewing our capital expenditures even more carefully in case conservative consumer buying patterns bring about a downturn in demand for our products. And through October, we had repurchased more than 5.9 million shares of Georgia-Pacific stock.

Bill Loftus, vp-sales and marketing, Ace Hardware Corp.:

When the record stock plunge occurred, our fall buying convention was to begin in Reno. We anticipated that the drop might have an effect on the buying confidence of our dealers. That was not the case; our dealers were upbeat.

There are many factors which influence growth in our industry including what Congress does to control budget deficits, consumer confidence, interest rates, availability of money and so on. However, we anticipate continued good progress for industry in general and for Ace in particular. The stock market might remain bearish, but we and our dealers are still bullish.

Do you feel the market crash has made it a better or worse time to buy a house?

☒ Better ☐ Worse ☐ No Difference

20% 44% 36%

Do you feel the market crash has made it a better or worse time to do a home improvement project?

☒ Better ☐ Worse ☐ No Difference

27.6% 24% 48.2%

Source: Leo J. Shapiro and Associates
Survey polled 450 people.

NHCN chart

Study finds DIY activity minimally affected

(Continued from page 1)

Perhaps the most telling finding in the study was that only one quarter of the people polled thought market conditions mitigated against doing a home improvement project. In contrast, 44 percent believed it was a worse time to buy a home.

Looked at another way, more than three-quarters—76 percent—said that the market crash either made no difference or presented a better environment for their home improvement project plans. Only 56 percent of those surveyed could say the same thing about their home buying plans.

Nearly three in 10 respondents, in fact, thought the market decline created a better situation for them to do such a job.

Among all those who were surveyed, 100 respondents, or 22 percent, said they had a project in the planning or implementation stage prior to the Oct. 19 crash. Among that group, about one-quarter had planned to start a project within 30 days.

Interestingly, of those project planners who were not starting a project within a month's time, only one in seven said they would delay their project specifically because of the market crash.

The survey also asked homeowners about which projects they were planning or, conversely, would be delaying in the wake of the crash. It discovered that 13 percent of those who said they were planning a project before the market dipped wanted to remodel or add a room.

And among the small group of respondents who would be delaying a project because of the market crash, the greatest number said their kitchen remodeling plans would be put on hold.

Other projects that would be delayed included exterior repairs and roofing. But no interior home project outside of kitchen remodeling was subject to delays due to the crash.

The relative level of consumer confidence concerning home improvement projects two weeks after the Oct. 19 stock fall reflects a broader level of certainty about all facets of their lifestyles. The number of people who thought they were worse off in general because of the crash actually declined to 17 percent on Nov. 3-4 from a high of 21 percent on Oct. 24-26.

In areas of subsistence—such as the buying of food, gasoline and clothing—the number of people who said they were cutting back on expenditures fell off dramatically in the last two days in which the survey was conducted.